

Executive Summary Report

Appraisal Date 1/1/04 -2004 Assessment Roll

Specialty Name: Business Parks

Sales – Improved Analysis Summary :

Number of Sales -18

Range of Sales Dates: 3/20/01 – 12/01/03

Sales – Ratio Study Summary:				
	Avg. Improved	Sale Price	Ratio	COV
2003 Value	6,560,900	7,559,700	0.868	11.01%
2004 Value	7,031,900	7,559,700	0.93	8.75%
Change	471,000	0.00	0.06	-2.26%
% Change	7.18%	0.00%	7.14%	-20.53%

*COV is a measure of uniformity, the lower the number the better the uniformity.

Sales used in Analysis: All sales verified as good were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2003 Value	326,468,300	682,963,040	1,009,431,340
2004 Value	332,652,800	699,699,665	1,035,085,565
Percent Change	1.89%	2.45%	2.54%

Number of Parcels in the Population: 263

Conclusion and Recommendation:

Assessed values for the 2004 revalue have increased on average of 2.54%.

Seven new sales of business park properties occurred in 2003. While rents have continued to soften and vacancies have increased, sales prices indicate market values have ranged from remaining stable to increasing. Capitalization rates have reached record lows. Falling interest rates and demand from investors moving funds from the stock market to more secured investments in real estate undoubtedly has led to this drop in capitalization rates. The result is sale prices are generally remaining stable to increasing in some areas.

Since the values recommended in this report improve uniformity, and equity, we recommend posting them for the 2004 Assessment Roll.

Analysis Process

Specialty

Specialty Areas – 520 Business Parks

Highest and Best Use Analysis




As if vacant: Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 1/2001 to 12/2003 (at minimum) were considered in all analyses.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of two years of market information without time adjustments averaged any net changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

The Business Park Specialty Properties are defined as being mostly multi-tenant properties and are generally of a low-rise architectural style with twelve to sixteen foot building heights. The frontage or street exposure tends to have the glass curtain wall and entry to the office space. The rear of the buildings has roll up doors and access to the warehouse and/or light industrial space. They are also defined by their build-out ratio which is below the 40%, typical of High-Tech, and above the minimal 15% to 20% office build out typical of distribution warehousing and light industrial uses. The concentration of Business Parks is in the Kent Valley (Kent, Auburn, & Tukwila) and the Sammamish Valley (Redmond & Woodinville) with a scattering of properties around King County in Bellevue, Renton, Issaquah, Preston, and the South Seattle Industrial area. There are five neighborhoods that have been established for valuation purposes in this specialty. Neighborhood 520-10 is primarily the Willows area of Redmond, and portions of Bellevue. The second neighborhood is 520-20, which generally encompasses properties in Totem Lake, Overlake, and portions of Bellevue and Renton. The third neighborhood is 520-30, which includes the cities of Kent, Auburn, Tukwila, and Federal Way. The fourth neighborhood 520-40 is the South Seattle Industrial area. The fifth area 520-50 includes business parks located in Bothell and Woodinville.

According to CB Richard Ellis 4th Quarter 2003 Industrial Market Brief for the Puget Sound Area, Puget Sound Industrial vacancies increased from a low of 5.67 percent in 2002 to 8.27 percent 4th quarter 2003 (does not include the sublease market). The Eastside market vacancy increased from 10.34 percent to 15.45 percent while the Kent Valley increased from 6.10% to 7.38%. The Seattle close in market vacancy rate increased from 2.20% to 5.05%.

In the “Year End 2003 Industrial Market and Submarket Statistics”, reported by Cushman and Wakefield, the Eastside industrial market experienced an overall vacancy rate of 16.7% and the warehouse/ distribution properties had a vacancy rate of 16.8%. This same publication reported that the industrial market for the Kent Valley experienced an overall vacancy rate of 9.4% while the warehouse/ distribution properties had a vacancy rate of 10%

The physical inspection area for the 2004 revalue consisted of the Business Park sales, rental comparables, and various Business Parks located in neighborhoods 10, 20, and 30 which amounted to a total of approximately 20% of the Business Parks in King County.

Preliminary Ratio Analysis

A Preliminary Ratio Study was done 6-04-04. The study included sales of improved parcels and showed a COV of 11.01% and a weighted-mean ratio of 86.8%.

Land Value

Land Sales, Analysis, Conclusions

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on five data sources from the Assessor's records; occupancy codes, age, quality, size, and location. There were 18 improved sales within the Business Park Specialty dating from 03/20/01 to 12/01/2003 and considered fair market transactions. These sales were organized by neighborhood. Because of the limited number of comparable sales the sales comparison approach was not used exclusively. These 18 sales were used though in the development of capitalization, rental, expense, and vacancy rates within the income approach. All sales were verified if possible by calling or written inquiry with either the purchaser or seller, inquires in the field, various publications, or calling the real estate agent. Characteristic data was verified for all sales if possible.

Sales comparison calibration

The search for comparable sales was within each economic neighborhood and expanded to include the surrounding neighborhoods within the geographic area. Location, quality, sizes, occupancy use, and effective age were factors considered for adjustment.

Cost approach model description

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used to automatically calculate cost estimates for all properties. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Cost estimates were also relied upon for special use properties where limited or no income data or market data exists.

Cost calibration

The Marshall & Swift Valuation modeling system built into the Real Property Application is calibrated to the western region and the Seattle area. Depreciation is also based on studies done by Marshall & Swift Valuation Service.

Income capitalization approach model description

The economic income driven mass appraisal model was used as the primary valuation method.

The Business Park Specialty Properties in King County are divided into five neighborhoods 520-10, 520-20, 520-30, 520-40, and 520-50. The model consists of economic rent tables for the types of interior space that are typically found in these properties. Economic income information was collected predominately from the market place. Other sources of income information include but are not limited to sales reporting services such as "Costar", data collected in the field (both asking and actual rates), fee

appraisals, journals and publications. Economic income tables were then developed to perform an income approach for the Business Parks. These economic income tables are contained at the end of this report.

According to CB Richard Ellis 4th Quarter 2003 Industrial Market Brief for the Puget Sound Area:

Their survey and analysis indicates that for the Eastside industrial market warehouse shell space rents between \$4.20 to \$7.80 per year per square-foot and the office space in these industrial buildings rent from \$10.20 to \$16.20. In the Kent Valley, warehouse shell space indicates rental rates from \$2.76 to \$5.40 per square foot per year and that office space in these industrial buildings rents from \$6.00 to \$9.00.

The models that are used for this revaluation are based on the building size parameters specific to the specialty and are dependent on effective age and quality data. Vacancy rate, expense rate and capitalization rate ranges were interpolated from data obtained from the market.

AREA 520-10

The rental rates per square foot range from \$12 to \$15.00 for the warehouse office space and \$5.40 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 15% and 10% for all properties respectively. The market capitalization rates range from 6.7% to 9%.

AREA 520-20:

The rental rates per square foot range from \$11.40 to \$15.60 for the warehouse office space and \$6.00 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 15% and 10% for all properties respectively. The market capitalization rates range from 7% to 8.75%.

AREA 520-30:

The rental rates per square foot range from \$7.20 to \$7.80 for the warehouse office space and \$3.60 to \$5.40 per square foot for warehouse space. The vacancy and expense rates are constant at 11% and 10% for all properties respectively. The market capitalization rates range from 7.25% to 9.50%.

AREA 520-40:

The rental rates per square foot range from \$12.00 to \$14.40 for the warehouse office space and \$4.20 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 8% and 10% for all properties respectively. The market capitalization rates range from 7% to 9.50%.

AREA 520-50:

The rental rates per square foot range from \$12.00 to \$12.60 for the warehouse office space and \$5.40 to \$6.00 per square foot for warehouse space. The vacancy and expense rates are constant at 15% and 10% for all properties respectively. The market capitalization rates range from 7.25% to 9%.

Income approach calibration

The models were calibrated after setting base rents by using adjustments based on effective age, and construction quality as recorded in the Assessor's records.

There are 20 parcels that are exceptions to the model driven income approach to value. The exceptions are due to excess land or insufficient land to support the economic unit involved. New construction that was a percent complete as of 7-31-04 was valued using the Marshal and Swift Cost Estimator. Parking is assumed to be included in the rent for the office/ warehouse space.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust by particular characteristics and conditions as they occur in the valuation area.

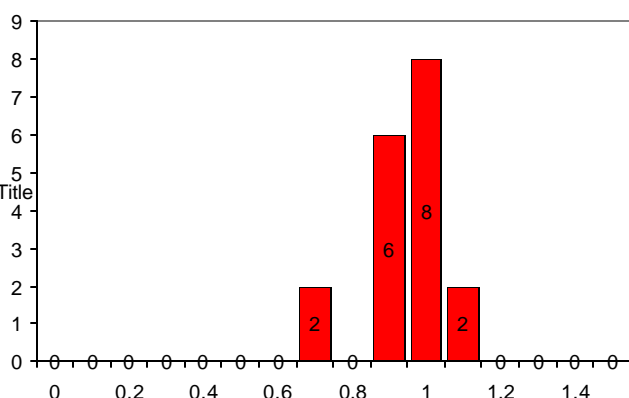
The new assessment level is 93% and the COV is 8.75%. All standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2003 and 2004 Ratio Analysis charts included in this report.

The total assessed value for the 2003 assessment year for the Business Park Specialty was \$1,009,431,340. The total recommended assessed value for the 2004 assessment year is \$1,035,085,565.

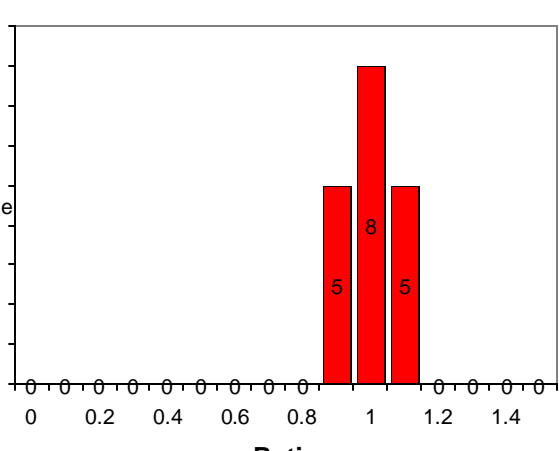
Application of these recommended values for the 2004 assessment year (taxes payable in 2005) results in an average total change from the 2003 assessments of (+) 2.54%. This increase is due in part to changes in the return of investment expected by investors, the increase in demand for commercial real estate properties for investment purposes, since last year, and the previous assessment levels.

The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

**Area 520 Business Parks
2004 Assessment Year
Using 2003 Values**

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
South Crew	1/1/2003	6/4/2004	1/1/01 - 12/31/03		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
520	KWAL	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	18	<div>Ratio Frequency</div> 			
Mean Assessed Value	6,560,900				
Mean Sales Price	7,559,700				
Standard Deviation AV	5,123,061				
Standard Deviation SP	7,142,116				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.894	<div>These figures reflect the current assessed values prior to the revalue.</div>			
Median Ratio	0.909				
Weighted Mean Ratio	0.868				
UNIFORMITY					
Lowest ratio	0.6891				
Highest ratio:	1.0387				
Coefficient of Dispersion	8.45%				
Standard Deviation	0.0984				
Coefficient of Variation	11.01%				
Price-related Differential	1.03				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.831				
Upper limit	0.973				
95% Confidence: Mean					
Lower limit	0.848				
Upper limit	0.939				
SAMPLE SIZE EVALUATION					
N (population size)	246				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0984				
Recommended minimum:	15				
Actual sample size:	18				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	8				
# ratios above mean:	10				
z:	0.23570226				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Area 520 - Business Parks
2004 Assessment Year
Using 2004 Values

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:	
South Crew	1/1/2004	6/4/2004	1/1/01 - 12/31/03	
Area	Appr ID:	Prop Type:	Trend used?: Y / N	
520	KWAL	Improvement	N	
SAMPLE STATISTICS				
Sample size (n)	18	<div>Ratio Frequency</div> 		
Mean Assessed Value	7,031,900			
Mean Sales Price	7,559,700			
Standard Deviation AV	5,879,728			
Standard Deviation SP	7,142,116			
ASSESSMENT LEVEL				
Arithmetic mean ratio	0.955			
Median Ratio	0.974			
Weighted Mean Ratio	0.930			
UNIFORMITY				
Lowest ratio	0.8196			
Highest ratio:	1.0930			
Coefficient of Dispersion	6.60%			
Standard Deviation	0.0836			
Coefficient of Variation	8.75%			
Price-related Differential	1.03			
RELIABILITY				
95% Confidence: Median				
Lower limit	0.868			
Upper limit	1.000	These figures reflect the recommended assessed values compared to the market for the Business Park Specialty following completion of the 2004 Revalue.		
95% Confidence: Mean				
Lower limit	0.917			
Upper limit	0.994			
SAMPLE SIZE EVALUATION				
N (population size)	246			
B (acceptable error - in decimal)	0.05			
S (estimated from this sample)	0.0836			
Recommended minimum:	11			
Actual sample size:	18			
Conclusion:	OK			
NORMALITY				
Binomial Test				
# ratios below mean:	7			
# ratios above mean:	11			
z:	0.707106781			
Conclusion:	Normal*			
*i.e., no evidence of non-normality				

Improvement Sales for Area 520 with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code
520	010	032505	9025	31,098	1826395	\$3,061,250	06/26/01	\$98.44	WEST WILLOWS	LI	2	2
520	010	866335	0010	119,780	1841294	\$10,700,000	09/07/01	\$89.33	TOTEM VALLEY BUSINESS PARK	LI	9	2
520	010	943050	0143	20,250	1892593	\$2,176,000	06/19/02	\$107.46	A G INDUSTRIES INC	LI	1	2
520	010	282605	9070	77,072	1927245	\$9,668,000	12/05/02	\$125.44	KIRKLAND 118	PLA11	3	2
520	010	943050	0140	20,600	1937580	\$2,300,000	02/03/03	\$111.65	TSUKINEKO POLYCOR/ WILLOWS 2	LI	1	2
520	010	943050	0142	20,250	1937610	\$2,417,500	02/03/03	\$119.38	ALDUS INC	LI	1	2
520	010	240050	0010	68,112	1991355	\$5,100,000	09/21/03	\$74.88	PAC CONCESSIONS INC	LI	1	2
520	020	282505	9001	51,000	1809579	\$5,900,000	04/02/01	\$115.69	NORTHUP DISTRIBUTION CENTER	LI	2	2
520	020	644830	0090	49,706	1828911	\$6,000,000	07/11/01	\$120.71	EASTSIDE COMMERCIAL CENTER	BP	1	2
520	020	292406	9145	96,000	1934803	\$9,942,500	01/22/03	\$103.57	CASCADE BUSINESS PARK	EDISD	1	2
520	030	000400	0021	67,200	1807502	\$3,275,000	03/20/01	\$48.74	AUBURN BUSINESS CENTER	C-3	4	2
520	030	346280	0050	127,572	1838021	\$7,674,000	08/27/01	\$60.15	RIVERBEND COMMERCE PARK (C & E)	M1	2	2
520	030	883480	0050	167,665	1917859	\$9,200,000	10/23/02	\$54.87	FISHER COMMERCE CENTER	M1	1	2
520	030	346280	0040	54,660	1966603	\$4,109,426	06/19/03	\$75.18	RIVERBEND BLDG A AKA TRUESOUPS		1	2
520	040	918800	0010	37,583	1863373	\$4,300,000	01/15/02	\$114.41	OFFICE/WAREHOUSE	IM	1	2
520	040	766670	4005	75,864	1897906	\$8,875,000	07/16/02	\$116.99	SEATTLE COMMERCE CENTER	IH	1	2
520	040	336590	1881	76,224	1933466	\$7,600,000	01/10/03	\$99.71	FAIRWAY CENTER	C/LI	1	2
520	040	322304	9025	251,501	2005912	\$33,776,000	12/01/03	\$134.30	IAC ON 8TH AVE SOUTH		2	2